

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON BUSINESS AND LABOR

Call to Order: By **CHAIRMAN MIKE TAYLOR**, on January 16, 2001 at 8:00 A.M., in Room 422 Capitol.

ROLL CALL

Members Present:

Sen. Mike Taylor, Chairman (R)
Sen. Mike Sprague, Vice Chairman (R)
Sen. Dale Berry (R)
Sen. Edward Butcher (R)
Sen. Vicki Cocchiarella (D)
Sen. Sam Kitzenberg (R)
Sen. Dale Mahlum (R)
Sen. Glenn Roush (D)
Sen. Don Ryan (D)

Members Excused: None.

Members Absent: None.

Staff Present: Bart Campbell, Legislative Branch
Kyanne Kelly, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 86, 1/13/2001; SB 145,
1/13/2001

Executive Action:

HEARING ON SB 86

Sponsor: SENATOR RIC HOLDEN, SD 1, GLENDIVE

Proponents: Tom Daubert, MT Collision & Repair Specialists
Janice Van Riper, State Auditors Office
Loretta Miller, Mt. Auto Recyclers Association

Opponents: Greg Van Horssen, State Farm Insurance Company
John Metropoulos, Farmers Insurance Group
Jacqueline Lenmark, American Insurance
Eileen Sottile, Keystone Industry
Lonnie Larson, Valley Parts Company
Dean Randash, NAPA auto parts

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 0.7}

SENATOR RIC HOLDEN, SD 1, GLENDIVE stated this bill is quite simple. It would strictly prohibit an insurance carrier from using after market crash repair parts on a vehicle if the vehicle is 5 years old or newer.

Proponents' Testimony:

Tom Daubert, Montana Collision & Repair Specialists said after market versions of the original parts tend to be dramatically inferior to the parts made by the original manufacturer.

Janice Van Riper, State Auditors Office suggested amendments.
EXHIBIT (bus12a01)

Loretta Miller, Mt. Auto Recyclers Association stated her organization supports this bill as long as "non original parts" do not exclude used parts. She pointed out used parts are original parts.

Opponents' Testimony:

Greg Van Horssen, State Farm Insurance Company stated they are opposed to this bill on the grounds that there is no legal evidence that use of after market parts creates a safety hazard. He stated that State Farm has saved insurers millions of dollars using after market parts. **EXHIBIT** (bus12a02)

John Metropoulos, Farmers Insurance Group said this bill should be voted down because of cost containment, and the fact that safety is not an issue. He noted this is not a consumer bill. Those who would stand to gain from this bill are the manufacturers of original parts.

Jacqueline Lenmark, American Insurance Association, asked the committee to consider if this is really a consumer bill. This legislation will only have the effect of raising the cost of insurance. **EXHIBIT (bus12a03) EXHIBIT (bus12a04)**

Eileen Sottile, Keystone Industry stated that many of the parts in question are made by the same suppliers, they are simply shipped to different places.

Lonnie Larson, Valley Parts Company opposes this bill. He said he sees it as anti-competitive. He stated this bill would increase the cost to the consumer.

Dean Randash, NAPA auto parts said the smaller communities have easy access to aftermarket parts, but it is difficult to get parts from the original manufacturers.

Questions from Committee Members and Responses:

SENATOR VICKI COCCHIARELLA asked what would allow someone to say they don't want an after market part.

Tom Daubert replied there isn't any way at this time for you to know the difference. He stated this bill is meant to allow the consumer to be informed.

SENATOR DON RYAN asked if the parts called original, and the parts called after market were made in the same place.

Eileen Sottile said that is correct in many cases, not all.

SENATOR DALE MAHLUM asked if repair places could quote the customer a price based on original parts and then put in after market parts.

Senator Holden said yes but that then it would be called fraud.

Closing by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 9.6}

SENATOR RIC HOLDEN, SD 1, GLENDIVE, questioned the Insurance Commissioners role. He also questioned putting an amendment on the bill which influenced the warrantees of a car. He stated used parts were not a part of this bill.

HEARING ON SB 145

Sponsor: **SENATOR DALE BERRY, SD 30, HAMILTON**

Proponents: **Nancy Butler, State Fund**
 Jacqueline Lenmark, American Insurance Association
 Tom Schneider, Public Employees' Association
 John McEwen, Department of Administration

Opponents: None

Opening Statement by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 14.7}

SENATOR DALE BERRY, SD 30, HAMILTON, stated this bill was requested by State Fund to bring it more in line with the private insurance industry.

Proponents' Testimony:

Nancy Butler, State Fund, said the State Fund is created in statute, so any business changes must happen through the legislative process. **EXHIBIT(bus12a05)**

Jacqueline Lenmark, American Insurance Association, stated she supports this bill.

Tom Schneider, Public Employees' Association, said he supports sections 1-4 only on this bill.

John McEwen, Department of Administration, said he wanted to make sure Title 2, chapter 18, part 7 from the group insurance statutes would apply fully to the State Fund.

Opponents' Testimony: None

Questions from Committee Members and Responses:

{Tape : 2; Side : B; Approx. Time Counter : 0.8}

SENATOR DALE MAHLUM asked why it is so important to remove the 15% administrative costs.

Mark Barry said it is important because there is a lot of confusion about what is applicable to the statute and what is not applicable to the statute.

SENATOR ED BUTCHER wanted stronger justification for the proposed charitable donations.

Nancy Butler replied the relationships with the communities are important to the State Fund. She said it would not increase rates.

CHAIRMAN MIKE TAYLOR asked if the State Insurance Fund has lost some FTE's.

Nancy Butler said the FTE number is not any higher today than it was before. The number of policy holders hasn't dropped that much, and that they brought caseloads down at the same time.

Closing by Sponsor:

SENATOR DALE BERRY, SD 30, HAMILTON, commented that the State Fund is financially solvent. He further stated that premiums rates have decreased by 44% in the past 7 years. He said over the past two years the Fund has returned over 17 million in dividends to employers insured with the State Fund. The State Fund now offers competitive products and programs to employers. He pointed out that State Fund is funded by premium dollars and not the general fund or taxpayers. He wants the fund operated as a business rather than a bureaucracy.

ADJOURNMENT

Adjournment: 10:10 A.M.

SEN. MIKE TAYLOR, Chairman

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KYANNE KELLY, Secretary

MT/kk

EXHIBIT (bus12aad)